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EXAMINER	
HAMMOND III, THOMAS M	
ART UNIT	PAPER NUMBER
3695	

NOTIFICATION DATE	DELIVERY MODE
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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

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Office Action Summary	Application No.	Applicant(s)	
	10/747,754	PLONSKI, ARNOLD	
	Examiner	Art Unit	
	THOMAS M. HAMMOND III	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *31 March 2010*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-24* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-24* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Status of Claims

1. This action is in reply to the Applicant's response filed on 31 March 2010.

2. Claims 1-24 are currently pending and have been examined.

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

4. Claims 1-24 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

A claimed process is eligible for patent protection under 35 U.S.C. § 101 if:

"(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing. See Benson, 409 U.S. at 70 ('Transformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim that does not include particular machines.'); Diehr, 450 U.S. at 192 (holding that use of mathematical formula in process 'transforming or reducing an article to a different state or thing' constitutes patent-eligible subject matter); see also Flook, 437 U.S. at 589 n.9 ('An argument can be made [that the Supreme] Court has only recognized a process as within the statutory definition when it either was tied to a particular apparatus or operated to change materials to a 'different state or thing' '); Cochrane v. Deener, 94 U.S. 780, 788 (1876) ('A process is...an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing.').[7] A claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed. And a claimed process that transforms a particular article to a specified different state or thing by applying a fundamental principle would not pre-empt the use of the principle to transform any other article, to transform the same article but in a manner not covered by the claim, or to do anything other than transform the specified article." (In re Bilski, 88 USPQ2d 1385, 1391 (Fed. Cir. 2008))

Also noted in *Bilski* is the statement, "Process claim that recites fundamental principle, and that otherwise fails 'machine-or-transformation' test for whether such claim is drawn to patentable subject matter under 35 U.S.C. §101, is not rendered patent eligible by mere field-of-use limitations; another corollary to machine-or-transformation test is that recitation of specific machine or particular transformation of specific article does not transform unpatentable principle into patentable process if recited machine or transformation constitutes mere 'insignificant post-solution activity.'" (*In re Bilski, 88 USPQ2d 1385, 1385 (Fed. Cir. 2008))* Examples of insignificant post-solution activity include data gathering and outputting. Furthermore, the machine or transformation must impose meaningful limits on the scope of the method claims in order to pass the machine-or-transformation test. Please refer to the USPTO's "Guidance for Examining Process Claims in view of *In re Bilski*" memorandum dated January 7, 2009, http://www.uspto.gov/web/offices/pac/dapp/opla/documents/bilski_guidance_memo.pdf. It is also noted that the mere recitation of a machine in the preamble in a manner such that the machine fails to patentably limit the scope of

the claim does not make the claim statutory under 35 U.S.C. § 101, as seen in the Board of Patent Appeals Informative Opinion *Ex parte Langemyr et al.* (Appeal 2008-1495), http://www.uspto.gov/web/offices/dcom/bpai/its/fd081495.pdf. Claims 1-24 are not tied to a particular machine or apparatus nor do they transform a particular article into a different state or thing, thereby failing the machine-or-transformation test; therefore, claims 1-24 are non-statutory under § 101.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> *(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.*

6. Claims 1-2, 5, 13-16, and 18-24 are rejected under 35 U.S.C. 103(a) as being unpatentable over **Whaley et al., US 2003/0225657 (hereinafter "Whaley")** in view of **E*Trade, "Option Centre: Covered Combinations", 05/15/2003 (hereinafter "E*Trade")**.

As per claim 1

Whaley teaches:

- Purchasing shares of a plurality of stocks thereby providing a portfolio, said plurality of stocks being the stocks represented in an index or exchange traded fund, said shares being purchased in proportion to the weighting of the respective stocks in said index or exchange traded fund (see at least ¶ [0015]-[0021])
- At the beginning of each options cycle, writing a number of call options for each of said plurality of stocks (see at least ¶ [0015]-[0016], [0010])
- At the end of each options cycle, letting the out-of-the-money options expire and closing out the in-the-money options (see at least ¶ [0065]-[0066])

Whaley does not teach:

- At the beginning of each options cycle, writing a number of put options for each of said plurality of stocks

E*Trade teaches:

- At the beginning of each options cycle, writing a covered combination consisting of a simultaneous writing of a call and put on a stock currently owned (see at least pp 1-4)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the options teachings on a plurality of stocks of Whaley, to add the covered combination teachings of E*Trade. One would have been motivated to do so in order to provide an investor the ability to receive premium income in exchange for being willing to double his stock position in the event of a downward price move (see at least E*Trade pp 1). Furthermore, the Supreme Court has supported in, *KSR International Co. v. Teleflex Inc. (KSR), 550 U.S.,82 USPQ2d 1385 (2007),* that merely combining well known prior art elements in a well known manner to obtain predictable results is sufficient to determine an invention obvious over such combination. As evidenced by Whaley and E*Trade, creating a portfolio of assets, writing a call, and writing a put are well known in the art of finance. Moreover, E*Trade is merely relied upon to illustrate a particular trading strategy that could be used on a portfolio of assets. Whaley discloses another option strategy for such a portfolio. Since both E*Trade and Whaley are both implemented through similar computer technologies, combining their features using such well-known computer techniques would be reasonable, according to one of ordinary skill in the art. In addition, since the elements disclosed by E*Trade and Whaley would function in the same manner in combination as they do in their separate embodiments, it would be reasonable to conclude that their resulting combination would be predictable (i.e. a system to execute a covered combination strategy on a portfolio of assets). Accordingly, the claimed invention is obvious over Whaley/E*Trade.

As per claim 2

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Wherein, for each of said plurality of stocks, said number of call options and said number of put options is equal to the number of shares of stock purchased

E*Trade further teaches:

- Wherein, for each of said plurality of stocks, said number of call options and said number of put options is equal to the number of shares of stock purchased (see at least pp 2-4)

As per claim 5

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is above the market price of the respective stock at the time of writing, and a strike price for said number of put options is below the market price of the respective stock at the time of writing

E*Trade further teaches:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is above the market price of the respective stock at the time of writing, and a strike price for said number of put options is below the market price of the respective stock at the time of writing (see at least pp 2)

As per claims 13-16

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley further teaches:

- Wherein said index is the Dow Jones Industrial Average (see at least ¶ [0016])
- Wherein said index is the Standard and Poors 100, or a substantial portion thereof reflecting the S & P 100 (see at least pp 7, Table 4)
- Wherein said index is the NASDAQ 100, or a substantial portion thereof reflecting the NASDAQ 100 (see at least ¶ [0062])
- Wherein said exchange traded fund is chosen from the group consisting of Spiders, DIAMONDs and QUBEs (see at least ¶ [0062])

As per claims 18-19

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley further teaches:

- Wherein said index is chosen from the group consisting of any other index, exchange traded fund or suitable portfolio grouping that trades options (see at least ¶ [0062])

- Wherein premiums are received for writing a number of call options and a number of put options, an wherein said premiums are retained in the portfolio, and some portion of said premiums are used in said step of closing out the in-the-money options (see at least ¶ [0065]-[0066])

As per claim 20

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Wherein in said step of writing a number of call options and a number of put options, said call options are covered and said put options are covered

E*Trade further teaches:

- Wherein in said step of writing a number of call options and a number of put options, said call options are covered and said put options are covered (see at least pp 2)

As per claim 21

Whaley, in view of E*Trade, teaches the method of claim 1, as described above.

Whaley does not teach:

- Wherein said steps of writing a number of call options and a number of put options and closing out the in-the-money options is performed using computer automation

E*Trade further teaches:

- Writing a number of call options and a number of put options and closing out the in-the-money options is performed using computer automation (see at least pp 2)

Furthermore, it would have been obvious to a person of ordinary skill in the art at the time of the invention to automate the writing and closing out steps, since it has generally been recognized that merely providing an automatic means to replace a manual activity which accomplishes the same result is not sufficient to distinguish over the prior art, (see **In re Venner**, 262 F.2d 91, 95, 120 USPQ 193, 194 (CCPA 1958).

As per claims 22-24

Claims 22-24, as best understood by the Examiner and undisputed by the Applicant, encompass the same or substantially the same scope as claim 1. These claims accordingly, are rejected in substantially the same manner as claim 1, as described above.

7. Claim 17 is rejected under 35 U.S.C. 103(a) as being unpatentable over **Whaley/E*Trade** in further view of **OFFICIAL NOTICE.**

As per claim 17

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley further teaches:

- Wherein said index is the Dow Jones Industrial Average (see at least ¶ [0016])
- Wherein said index is the Standard and Poors 100, or a substantial portion thereof reflecting the S & P 100 (see at least pp 7, Table 4)
- Wherein said index is the NASDAQ 100, or a substantial portion thereof reflecting the NASDAQ 100 (see at least ¶ [0062])
- Wherein said exchange traded fund is chosen from the group consisting of Spiders, DIAMONDs and QUBEs (see at least ¶ [0062])

Whaley/E*Trade does not teach:

- Wherein said index is chosen from the group consisting of the American Exchange Indices

However, the examiner has previously taken OFFICIAL NOTICE that American Exchange Indices, such as WEBS (World Equity Benchmark Series), were old and well known in the art of finance. The Examiner further asserts that the Applicant has not properly challenged such statement of OFFICIAL NOTICE, therefore rendering such statement prior art of record, henceforth.

8. Claims 3-4, 6-7, and 11-12 are rejected under 35 U.S.C. 103(a) as being unpatentable over **Whaley/E*Trade** in further view of **Lim, US 2003/0014345 (hereinafter "Lim").**

As per claims 3-4

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Wherein, for each of said plurality of stocks, a strike price for the call options is equal or to a strike price for the put options
- Wherein, for each of said plurality of stocks, said strike prices of said put and call options are chosen to be as close as available to the market price of the stock at the time of writing

Lim teaches:

- Wherein, for each of said plurality of stocks, a strike price for the call options is equal to a strike price for the put options (see at least pp 19-20, Table 6)
- Wherein, for each of said plurality of stocks, said strike prices of said put and call options are chosen to be as close as available to the market price of the stock at the time of writing (see at least pp 19-20, Table 6)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the covered combination option strategy system of Whaley/E*Trade to include the specific option characteristics of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6). Moreover, the particular selections of strike prices are a mere design choice of the Applicant to achieve particular results and have no bearing on the functional execution of the claimed invention and the prior art.

As per claim 6

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is below the market price of the respective stock at the time of writing, and a strike price for said number of put options is above the market price of the respective stock at the time of writing

Lim teaches:

- Wherein, for each of said plurality of stocks, a strike price for said number of call options is below the market price of the respective stock at the time of writing, and a strike price for said number of put options is above the market price of the respective stock at the time of writing (see at least pp 20, Table 6)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the covered combination option strategy system of Whaley/E*Trade to include the specific option characteristics of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6). Moreover, the particular selections of strike prices are a mere design choice of the Applicant to achieve particular results and have no bearing on the functional execution of the claimed invention and the prior art.

As per claim 7

Whaley/E*Trade teaches the method of claim 2, as described above.

Whaley/E*Trade does not teach:

- Wherein, for each of said plurality of stocks, an expiration date for said call options is equal to an expiration date for said put options

Lim teaches:

- Wherein, for each of said plurality of stocks, an expiration date for said call options is equal to an expiration date for said put options (see at least pp 19-20, Table 6)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the covered combination option strategy system of Whaley/E*Trade to include the specific option characteristics of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6). Moreover, the particular selections of expiration dates are a mere design choice of the Applicant to achieve particular results and have no bearing on the functional execution of the claimed invention and the prior art.

As per claim 11

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Implementing a vertical call credit spread combination for said portfolio

Lim teaches:

- Implementing a vertical call credit spread combination for said portfolio (see at least pp 17, Table 6)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the covered combination option strategy system of Whaley/E*Trade to include the specific option strategy of Lim. One would have been motivated to do so in order to provide an investor with a fully flexible and user-friendly system of managing their risk (see at least Lim page 1, paragraph 6). Furthermore, the Supreme Court has supported in, *KSR International Co. v. Teleflex Inc. (KSR), 550 U.S.,82 USPQ2d 1385 (2007),* that merely combining well known prior art elements in a well known manner to obtain predictable results is sufficient to determine an invention obvious over such combination. In the instant case, Lim is merely relied upon to show a particular strategy for investing. Whaley/E*Trade provides the financial system to perform particular option investment strategies. Since Whaley, E*Trade, and Lim are all implemented through similar computer technologies, combining their features using such well-known computer techniques would be reasonable, according to one of ordinary skill in the art. In addition, since the elements disclosed by Whaley, E*Trade, and Lim would function in the same manner in combination as they do in their separate embodiments, it would be reasonable to conclude that their resulting combination would be

predictable (i.e. a financial system for performing specific option strategies on a portfolio). Accordingly, the claimed invention is obvious over Whaley/E*Trade/Lim.

As per claim 12

Whaley/E*Trade/Lim teaches the method of claim 11, as described above.

Lim further teaches:

- Wherein said step of purchasing a vertical call credit spread combination comprises writing a first call option at a first strike price and purchasing a second call option at a second strike price, wherein said second strike price is greater than said first strike price (see at least pp 17, Table 6)

9. Claims 8-10 are rejected under 35 U.S.C. 103(a) as being unpatentable over **Whaley/E*Trade** in further view of **Viner, US 2006/0020526 (hereinafter "Viner")**.

As per claim 8

Whaley/E*Trade teaches the method of claim 1, as described above.

Whaley/E*Trade does not teach:

- Implementing a collar for said portfolio to reduce or minimize losses during market declines

Viner teaches:

- Implementing a collar for said portfolio to reduce or minimize losses during market declines (see at least Figure 5 and associated text)

However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to modify the covered combination option strategy system of Whaley/E*Trade to include the collar strategy of Viner. One would have been motivated to do so in order to provide an investor with full participation up to the call strike and full protection below the put strike and full participation above the long call strike (see at least Viner page 3, Table 1). Furthermore, the Supreme Court has supported in, *KSR International Co. v. Teleflex Inc. (KSR), 550 U.S.,82 USPQ2d 1385 (2007),* that merely combining well known prior art elements in a well known manner to obtain

predictable results is sufficient to determine an invention obvious over such combination. In the instant case, Viner is merely relied upon to show a particular strategy for investing. Whaley/E*Trade provides the financial system to perform particular option investment strategies. Since Whaley, E*Trade, and Viner are all implemented through similar computer technologies, combining their features using such well-known computer techniques would be reasonable, according to one of ordinary skill in the art. In addition, since the elements disclosed by Whaley, E*Trade, and Viner would function in the same manner in combination as they do in their separate embodiments, it would be reasonable to conclude that their resulting combination would be predictable (i.e. a financial system for performing specific option strategies on a portfolio). Accordingly, the claimed invention is obvious over Whaley/E*Trade/Viner.

As per claim 9

Whaley/E*Trade/Viner teaches the method of claim 8, as described above.

E*Trade further teaches:

- Writing index options (see at least pp 4)

Viner further teaches:

- Wherein said step of implementing a collar further includes the step of writing an option call and purchasing an option protective put (see at least Figure 5 and associated text)

As per claim 10

Whaley/E*Trade/Viner teaches the method of claim 9, as described above.

E*Trade further teaches:

- Writing index options (see at least pp 4)

Viner further teaches:

- Wherein a premium received for said step of writing said index option call is substantially equal to a premium spent for said step of purchasing an index option protective put (see at least Figure 5 and associated text)

Response to Arguments

10. Prosecution has been reopened to correct an informality regarding the statement of rejection for claim 17. Claim 17 should have been rejected under a separate statement of rejection in view of the OFFICIAL NOTICE taken by the Examiner. All rejections on the merits have not been changed since the filing of the Appeal Brief on 31 March 2010. The correction for the informality is noted in the rejections.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to THOMAS M. HAMMOND III whose telephone number is (571)270-1829. The examiner can normally be reached on Monday-Friday, 7:00AM - 5:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles Kyle can be reached on (571) 272-674646. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have any questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

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21 June 2010

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